



WEINLANDER FITZHUGH

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& CONSULTANTS

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WHITE PINE LIBRARY COOPERATIVE SAGINAW, MICHIGAN

FINANCIAL STATEMENTS SEPTEMBER 30, 2008

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RSM McGladrey Network

An Independently Owned Member

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Independent Auditors' Report

December 16, 2008

Board of Directors
White Pine Library Cooperative
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities and its major fund of White Pine Library Cooperative (Cooperative) as of and for the year ended September 30, 2008, which collectively comprise the Cooperative's basic financial statements as listed in the index. These financial statements are the responsibility of White Pine Library Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and its major fund of White Pine Library Cooperative as of September 30, 2008 and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

Board of Directors
White Pine Library Cooperative
December 16, 2008
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The management's discussion and analysis and budgetary comparison information as identified in the index are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise White Pine Library Cooperative's basic financial statements. The other supplemental information presented in the index are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Weinlander Fitzhugh

WHITE PINE LIBRARY COOPERATIVE
Management's Discussion & Analysis
For the Year Ended September 30, 2008

Our discussion and analysis of the White Pine Library Cooperatives' financial performance provides an overview of the Cooperative's financial activities for the fiscal year ended September 30, 2008.

Financial Highlights

The Cooperative's net assets increased by \$83,959 or 26%. Program revenues were \$338,822 or 58% of total revenues, and general revenues were \$244,388 or 42%.

The General Fund reported a positive fund balance of \$413,634.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand White Pine Library Cooperative financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the Cooperative, presenting both an aggregate view of the Cooperative's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Cooperative's operations in more detail than the government-wide financial statements by providing information about the Cooperative's most significant and only fund – the General Fund. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

WHITE PINE LIBRARY COOPERATIVE
Management's Discussion & Analysis
For the Year Ended September 30, 2008

Reporting the Cooperative as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Cooperative's finances is, "Is the Cooperative better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Cooperative as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Cooperative's net assets as a way to measure the Cooperative's financial position. The change in net assets provides the reader a tool to assist in determining whether the Cooperative's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of the Cooperative.

Reporting the Cooperative's Most Significant Funds

Fund Financial Statements

The Cooperative's fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The Cooperative's one type of fund, governmental, is further described in the notes to the financial statements.

Governmental Funds

Most of the Cooperative's activities are reported in governmental funds, which focus on how money flows into and out of the fund and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Cooperative's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Cooperative's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

WHITE PINE LIBRARY COOPERATIVE
Management's Discussion & Analysis
For the Year Ended September 30, 2008

Summary of Net Assets

The statement of net assets provides the perspective of the Cooperative as a whole. Exhibit A provides a summary of the Cooperative's net assets as of September 30, 2008 and 2007:

Exhibit A	Governmental Activities	
	2008	2007
Assets		
Current and other assets	\$ 423,774	\$ 326,299
Capital assets - net of accumulated depreciation	3,532	12,070
Total assets	427,306	338,369
Liabilities		
Current liabilities	10,140	9,856
Long-term liabilities	16,454	11,760
Total liabilities	26,594	21,616
Net Assets		
Invested in property and equipment - net of related debt	3,532	11,361
Unrestricted	397,180	305,392
Total net assets	\$ 400,712	\$ 316,753

The Cooperative's net assets were \$400,712 at September 30, 2008. Investment in property and equipment, net of related debt totaling \$3,532 compares the original costs less depreciation of the Cooperative's capital assets.

The \$397,180 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

WHITE PINE LIBRARY COOPERATIVE

Management's Discussion & Analysis For the Year Ended September 30, 2008

The results of this year's operations for the Cooperative as a whole are reported in the statement of activities, as summarized in Exhibit B below, which shows the changes in net assets for the year ended September 30, 2008.

Exhibit B	Governmental Activities	
	2008	2007
Revenues		
Program revenue:		
Charges for services	\$ 233,132	\$ 184,175
Operating grants	105,690	155,100
General revenue:		
State aid, unrestricted	210,779	207,620
Interest and investment earnings	16,567	18,824
Other	17,042	6,069
Total revenues	583,210	571,788
Function/Program Expenses		
Continuing education	5,642	11,513
Delivery services	55,100	56,338
Membership support	438,509	453,568
Total expenses	499,251	521,419
Increase in Net Assets	\$ 83,959	\$ 50,369

Approximately 88% of the expenses are related to supporting services to member libraries. This includes expenses such as salaries, benefits and supplies related to administration and other supporting services. This does not include any capital outlay expenses such as computers as these transactions are recorded in the Statement of Net Assets as capital assets.

Approximately 11% of the expenses are related to delivery services. This includes transportation, salaries, benefits and other services related to the movement of books and other items to various libraries.

The remaining 1% of expense relates to continuing education expenses. These expenses relate to salaries, benefits, supplies and other continuing education expenses related to work shops conducted by the Cooperative.

WHITE PINE LIBRARY COOPERATIVE

Management's Discussion & Analysis For the Year Ended September 30, 2008

As reported in the Statement of Activities, the cost of our governmental activities this year was \$499,251. Certain activities were partially funded from those who benefited from the programs through charges for services. This amounted to \$233,132 and consisted predominately of library membership fees. Other activities were partially funded with grant funds. This amounted to \$105,690 and consisted of other funds used for a specific function. The remaining expenses were funded by unrestricted state aid, interest income and other revenues in the amount of \$244,388.

The Cooperative experienced a \$83,959 increase in net assets as a whole. The increase in net assets differs from the change in fund balance. A reconciliation between the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balance is included in the financial statements.

The Cooperative's Governmental Fund Statements

The Cooperative uses funds to help it control and manage money for particular purposes, using the General Fund, which is the only fund used by the Cooperative. The operations of this fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures on the modified accrual basis of accounting. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent.

In the General Fund, the Cooperative experienced a \$97,191 increase in fund balance. This is due to purchasing less than budgeted amounts of equipment and charges that new members paid towards their share of the fund balance. Overall, total expenditures and revenues were within budgeted amounts.

General Fund Budgetary Highlights

Over the course of the year, the Cooperative revises its budget to reflect changes in revenues and expenditures. Public Act 621 of 1978, Section 18(1) requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing that Cooperative's original and final budget amounts compared with amounts actually paid and received is provided as required supplemental information in these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased by \$280,464. The significant change in revenues is due to grant income and membership fees.
- Budgeted expenditures were increased by \$199,653. This was primarily associated with technology grant related expenses.
- Actual revenues were approximately 1% higher than the final budget.
- Actual expenditures were 6% lower than the final budget.

WHITE PINE LIBRARY COOPERATIVE

Management's Discussion & Analysis For the Year Ended September 30, 2008

Capital Assets

Asset purchases in excess of \$5,000 are recorded as capital assets and depreciated over its estimated useful life. At September 30, 2008, the Cooperative had \$3,532 invested in capital assets.

	2008	2007
Equipment	\$ 69,456	\$ 72,048
Furniture and fixtures	1,535	1,535
Total capital assets	70,991	73,583
Less accumulated depreciation	67,459	61,513
Net capital assets	\$ 3,532	\$ 12,070

The Cooperative had no capital asset additions for year ended September 30, 2008.

We present more detailed information about our capital assets in the notes to the financial statements. We anticipate no significant capital additions next year.

Factors Expected to have an Effect on Future Operations

Our appointed officials and administration consider many factors when determining the Cooperative's fiscal year budget. Two of the most significant factors affecting our budget are library membership fees and state revenue. State aid accounts for approximately 36% of our total General fund revenue, while membership fees account for approximately 39% of General Fund revenue. Membership fees increased by approximately 27% from the year ended September 30, 2007 to year ended September 30, 2008. Preliminary analysis indicates membership levels in 2009 should be less than the membership levels for the year ended September 30, 2008. State aid is calculated based on state per capita rate that is applied to the membership population in the areas served by the Cooperative. In addition, an additional portion of state aid is based on population density. A state approved amount is allocated to the Cooperative based on the square mileage of the area that the Cooperative serves. State Aid for 2009 is projected to be reduced by fifteen (15%) percent compared to the year ended September 30, 2008. The Cooperative also considers federal and other grants to add to its budget as available.

Other factors, such as an increase in benefits are causing major constraints on our spending power. Health insurance premiums alone have increased significantly for the fiscal year ending 2008. Three libraries withdrew from the Cooperative to join another Library Cooperative effective September 30, 2008. The Cooperative will continue to determine strategies that would help minimize expenditures.

WHITE PINE LIBRARY COOPERATIVE
Management's Discussion & Analysis
For the Year Ended September 30, 2008

Requests For Information

This financial report is designed to provide a general overview of the Cooperative's finances for all those with an interest in the Cooperative. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Bryon Sitler, Director
White Pine Library Cooperative
3210 Davenport
Saginaw, MI 48602

WHITE PINE LIBRARY COOPERATIVE
Statement of Net Assets
September 30, 2008

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 422,840
Due from other governmental units	934
Capital assets net of accumulated depreciation of \$67,459	<u>3,532</u>
Total assets	<u>427,306</u>
<u>Liabilities</u>	
Accounts payable	1,203
Accrued salaries and benefits	5,480
Deferred revenue	3,457
Long-term liabilities:	
Compensated absences	<u>16,454</u>
Total liabilities	<u>26,594</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	3,532
Unrestricted	<u>397,180</u>
Total net assets	<u>\$ 400,712</u>

See accompanying notes to financial statements.

WHITE PINE LIBRARY COOPERATIVE
Statement of Activities
For the Year Ended September 30, 2008

	<u>Program Revenues</u>			Governmental
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/Contributions</u>	Activities
<u>Functions/Programs</u>				Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Continuing education	\$ 5,642	\$ 4,241	\$ 0	\$ (1,401)
Delivery services	55,100	1,975	0	(53,125)
Membership support	<u>438,509</u>	<u>226,916</u>	<u>105,690</u>	<u>(105,903)</u>
Total government activities	<u>\$ 499,251</u>	<u>\$ 233,132</u>	<u>\$ 105,690</u>	<u>(160,429)</u>
General revenues:				
State aid not restricted to specific purposes				210,779
Interest and investment earnings				16,567
Other				<u>17,042</u>
Total general revenues				<u>244,388</u>
Change in net assets				83,959
Net assets - beginning of year				<u>316,753</u>
Net assets - end of year				<u>\$ 400,712</u>

See accompanying notes to financial statements.

WHITE PINE LIBRARY COOPERATIVE
Governmental Fund
Balance Sheet
September 30, 2008

	Total Governmental Fund
<u>Assets</u>	
Cash and investments	\$ 422,840
Due from other governmental units	934
	<hr/>
Total Assets	423,774
	<hr/> <hr/>
<u>Liabilities and Fund Balance</u>	
<u>Liabilities</u>	
Accounts payable	\$ 1,203
Accrued payroll and benefits	5,480
Deferred revenue	3,457
	<hr/>
Total liabilities	10,140
<u>Fund Balance</u>	
Unreserved	413,634
	<hr/>
Total Liabilities and Fund Balance	\$ 423,774
	<hr/> <hr/>

See accompanying notes to financial statements.

WHITE PINE LIBRARY COOPERATIVE
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2008

Total fund balance - governmental funds		\$	413,634
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds			
Cost of the capital assets	\$	70,991	
Accumulated depreciation		<u>(67,459)</u>	
			3,532
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Compensated absences			<u>(16,454)</u>
Total net assets - governmental activities		\$	<u><u>400,712</u></u>

See accompanying notes to financial statements.

WHITE PINE LIBRARY COOPERATIVE
Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2008

	Total Governmental Fund
<u>Revenues</u>	
Charges for services	\$ 229,564
State sources	210,779
Grants	105,690
Interest and other sources	<u>37,177</u>
Total revenues	583,210
<u>Expenditures</u>	
Recreation and culture	<u>486,019</u>
Net change in fund balance	97,191
Fund balance - beginning of year	<u>316,443</u>
Fund balance - end of year	<u><u>\$ 413,634</u></u>

See accompanying notes to financial statements.

WHITE PINE LIBRARY COOPERATIVE
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2008

Net change in fund balance - total governmental funds	\$ 97,191
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(8,538)
Increase in compensated absences is reported as an increase in expense in the statement of activities	<u>(4,694)</u>
Change in net assets of governmental activities	<u><u>\$ 83,959</u></u>

See accompanying notes to financial statements.

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The White Pine Library Cooperative (Cooperative) was formed under Public Act 89 of 1977, and is considered a local governmental unit. The Cooperative provides various services to member libraries in Arenac, Bay, Clare, Clinton, Gladwin, Gratiot, Huron, Iosco, Isabella, Midland, Ogemaw, Saginaw, Sanilac, Tuscola and contiguous counties.

The financial statements of the Cooperative have been prepared in conformity with U.S. generally accepted accounting principles, as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Cooperative's accounting policies are described below.

Reporting Entity

In evaluating how to define the Cooperative, for financial reporting purposes, management has considered all potential component units. Based upon the application of certain criteria, the financial statements of the Cooperative contain all the funds and account groups controlled by the Cooperative's Board of Directors as no other entity meets the criteria of the Cooperative nor is the Cooperative a component unit of another entity.

Basic Financial Statements – Government-Wide Statements

The Cooperative's basic financial statements include both government-wide (reporting the Cooperative as a whole) and fund financial statements (reporting the Cooperative's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the Cooperative's activities are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental column is presented on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Cooperative's net assets are reported in two parts: invested in capital assets, net of related debt and unrestricted net assets. The Cooperative first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Cooperative's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This government-wide focus is more on the sustainability of the Cooperative as an entity and the change in the Cooperative's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statement

The financial transactions of the Cooperative are reported in individual funds in the fund financial statements. The Cooperative has only one fund, the General Fund. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. It is used to account for all financial resources.

Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It related to the timing of the measurements made regardless of the measurement focus applied.

Accrual – The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Assets, Liabilities and Equity

Deposits and Investments – The Cooperative's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from date of acquisition. Investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Cooperative intends to hold the investment until maturity. The Cooperative had no investments at September 30, 2008.

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (continued)

State statutes authorize the Cooperative to deposit and invest in the accounts of federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government of federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Cooperative's deposits are in accordance with statutory authority.

Accounts Receivable – Management of the Cooperative considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period in which they become uncollectible. The application of this method is not deemed materially different than the allowance method which is prescribed for purposes of U.S. generally accepted accounting principles.

Prepaid Expenditures – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	5-20 years
Furniture and fixtures	5-20 years

Compensated Absences – Accumulated vacation and sick pay amounts and associated employee-related costs are accrued when earned. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Deferred Revenue – Revenues for video access fees, database access fees and meeting expenses are recognized when earned.

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates – The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Budgets - Comparisons to budget are presented for the General Fund as required by U.S. generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the Cooperative. Individual amendments were not material in relation to the original appropriations that were amended. Adoption and amendments of budgets used by the Cooperative are governed by Public Act 621, which was complied with during the year ended September 30, 2007. Any amendment of the original budget must meet the requirements of Public Act 621. Budgets are adopted at the detail level for the general fund.

NOTE 2 – CASH AND INVESTMENTS

The breakdown between deposits and investments for the Cooperative is as follows:

Deposits (checking and sweep)	\$ 422,340
Petty cash and cash on hand	<u>500</u>
Total	<u><u>\$ 422,840</u></u>

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. As of September 30, 2008, \$226,942 of the Cooperative's bank balance of \$426,942 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Cooperative's name.

Interest Rate Risk

In accordance with its investment policy, the Cooperative will minimize interest rate risk, which is the risk that the market value of securities will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

The Cooperative's investment policy does not address risk relating credit risk, concentration risk and foreign currency risk.

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2008

NOTE 3 – PENSION PLAN

The Cooperative provides pension benefits for all of its full-time employees through a Simplified Employee Pension Plan. The Cooperative's contributions are calculated based on the lesser of \$30,000 or 15% of compensation. Total contributions for the year ended September 30, 2008, were \$25,027, which is 15% of covered payroll for the year then ended. Employees are eligible to participate after six months of service. The Cooperative's contributions to the plan for the year were based on eligible wages of \$166,848.

NOTE 4 – RENTAL AGREEMENT

During the year ending September 30, 2008, the Cooperative leased 1,462 square feet of office space located at 3210 Davenport, Saginaw, Michigan. Monthly rental payments were \$1,400 for October 1, 2007 through September 30, 2008. The Cooperative incurred total rental expenditures of \$16,800 during the year. The future minimum lease payments are \$18,480 per year for 2008 through 2011.

During the year ending September 30, 2008, the Cooperative leased a 2006 Chevrolet Impala. Monthly lease payments of \$341 for 36 months beginning December 21, 2005. The Cooperative incurred total lease expenditures of \$4,086 during the year. The future minimum lease payments are \$681 for 2009.

NOTE 5 – CAPITAL ASSETS

Government capital asset activity for the year ended September 30, 2008 was as follows:

	Balance October 1, 2007	Additions	Disposals and Adjustments	Balance September 30, 2008
Capital assets being depreciated:				
Equipment	\$ 72,048	\$ 0	\$ (2,592)	\$ 69,456
Furniture and fixtures	1,535	0	0	1,535
Subtotal	73,583	0	(2,592)	70,991
Accumulated depreciation:				
Equipment	60,573	8,231	(2,592)	66,212
Furniture and fixtures	940	307	0	1,247
Subtotal	61,513	8,538	(2,592)	67,459
Net capital assets being depreciated	\$ 12,070	\$ (8,538)	\$ 0	\$ 3,532

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2008

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows

Governmental activities:

Membership support \$ 8,538

NOTE 6 – LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Cooperative for the year ended September 30, 2008:

	Balance October 1, 2007	Additions	Retirements and Payments	Balance September 30, 2008	Amount Due Within One Year
Capital leases	\$ 709	\$ 0	\$ (709)	\$ 0	\$ 0
Compensated absences	<u>11,760</u>	<u>4,694</u>	<u>0</u>	<u>16,454</u>	<u>0</u>
Total capital leases	<u>\$ 12,469</u>	<u>\$ 4,694</u>	<u>\$ (709)</u>	<u>\$ 16,454</u>	<u>\$ 0</u>

Compensated absences include unused vacation pay. At September 30, 2008, the amount of \$16,454 has been recorded in the government-wide financial statements.

NOTE 7 – UNEMPLOYMENT COMPENSATION

The Cooperative is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Cooperative must reimburse the Employment Commission for all benefits charged against the Cooperative for the year.

NOTE 8 – CONTINGENCIES

The Cooperative has received state and private grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditures disallowed under terms of the grants, management believes that any required reimbursement would not be material.

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2008

NOTE 9 – RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters.

The Cooperative carries commercial insurance for risks to cover these losses. The Cooperative also continues to carry commercial insurance for other risks of loss, including employee health, employee dental, life insurance and accident insurance.

NOTE 10 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. GASB Statement No. 34 requires disclosure of any excess of expenditures over appropriations for the individual funds presented in the Budgetary Comparison Schedule.

In the following instances, the Cooperative expended funds in excess of the amounts appropriated:

<u>General Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Group performers	\$ 4,529	\$ 4,530	\$ (1)
OCLC	13,900	14,109	(209)

WHITE PINE LIBRARY COOPERATIVE
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Intergovernmental - State	\$ 227,169	\$ 210,778	\$ 210,779	\$ 1
Grants	0	105,690	105,690	0
Charges for services	67,410	231,383	229,564	(1,819)
Interest and other sources	3,500	30,692	37,177	6,485
Total revenues	298,079	578,543	583,210	4,667
<u>Expenditures</u>				
Recreation and culture	315,094	514,747	486,019	28,728
Net change in fund balance	(17,015)	63,796	97,191	33,395
Fund balance - beginning of year	316,443	316,443	316,443	0
Fund balance - end of year	<u>\$ 299,428</u>	<u>\$ 380,239</u>	<u>\$ 413,634</u>	<u>\$ 33,395</u>

WHITE PINE LIBRARY COOPERATIVE
Other Supplemental Information
Detail Statement of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended September 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Intergovernmental:				
State aid	\$ 227,169	\$ 210,778	\$ 210,779	\$ 1
Grants	0	105,690	105,690	0
Bib access	1,000	904	962	58
Delivery	2,500	1,975	1,975	0
Membership fees	56,910	219,752	218,131	(1,621)
Continuing education	2,000	2,900	4,241	1,341
Other services	5,000	5,852	4,255	(1,597)
Interest	3,000	13,000	16,567	3,567
Group performers	0	4,529	4,530	1
Equipment sales	0	11,361	14,278	2,917
Miscellaneous	500	1,802	1,802	0
Total revenues	298,079	578,543	583,210	4,667
<u>Expenditures</u>				
Recreational and cultural:				
Salaries	146,326	171,500	168,996	2,504
Benefits	48,413	53,700	52,639	1,061
Supplies	2,000	2,600	2,541	59
Postage	800	1,000	255	745
Group performers	0	4,529	4,530	(1)
Videocassettes	5,000	5,852	4,255	1,597
Software	500	3,800	864	2,936
Professional services	1,000	3,000	2,527	473
OCLC	12,500	13,900	14,109	(209)
VLC member fees	2,150	2,350	2,266	84
Continuing education	1,000	7,000	5,642	1,358
Professional development	1,250	2,800	2,189	611
Audit	4,100	5,000	4,000	1,000
Telephone	1,700	2,250	2,027	223

WHITE PINE LIBRARY COOPERATIVE
Other Supplemental Information
Detail Statement of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Expenditures</u> (continued)				
Recreational and cultural (continued):				
Delivery	\$ 54,000	\$ 55,100	\$ 55,100	\$ 0
MCDA	2,505	3,233	1,611	1,622
Staff travel	600	2,500	1,181	1,319
Unemployment	0	0	0	0
Insurance	4,500	3,500	3,392	108
Printing	0	0	0	0
Equipment lease	3,350	3,000	1,314	1,686
Rent	16,800	16,800	16,800	0
Miscellaneous	100	13,200	5,346	7,854
Grants	0	104,133	104,133	0
Transportation	6,000	6,000	5,791	209
Equipment	500	28,000	24,511	3,489
Total expenditures	<u>315,094</u>	<u>514,747</u>	<u>486,019</u>	<u>28,728</u>
Net change in fund balance	(17,015)	63,796	97,191	33,395
Fund balance - beginning of year	<u>316,443</u>	<u>316,443</u>	<u>316,443</u>	<u>0</u>
Fund balance - end of year	<u><u>\$ 299,428</u></u>	<u><u>\$ 380,239</u></u>	<u><u>\$ 413,634</u></u>	<u><u>\$ 33,395</u></u>



WEINLANDER FITZHUGH

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December 16, 2008

Board of Directors White Pine Library Cooperative

We have audited the financial statements of the governmental activities and its major fund of White Pine Library Cooperative for the year ended September 30, 2008, and have issued our report thereon dated December 16, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 22, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on November 25, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by White Pine Library Cooperative are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Cooperative during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

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Board of Directors
White Pine Library Cooperative
December 16, 2008
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Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation is based on an estimate of the useful lives of capitalized assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Cash and Investments in Note 2 to the financial statements due to the exposure of cash to custodial credit risk.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



WEINLANDER FITZHUGH

Board of Directors
White Pine Library Cooperative
December 16, 2008
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Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 16, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of White Pine Library Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh